

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Addition of Every Door Direct Mail –
Retail to the Product List

Docket No. MC2012-31

PUBLIC REPRESENTATIVE COMMENTS ON ADDITION OF
EVERY DOOR DIRECT MAIL – RETAIL TO THE PRODUCT LIST

(July 30, 2012)

The Public Representative hereby comments on the Postal Service's Notice filed pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to modify the Mail Classification Schedule (MCS) by adding Every Door Direct Mail – Retail (EDDM-R) service to the market dominant product list and establish classification language and pricing for the service.¹

I. INTRODUCTION

EDDM-R service is a Standard Mail experimental product currently in market test status pursuant to the Commission's order in Docket No. MT2011-3.² The Postal Service claims that the EDDM-R market test has been successful. Total revenue for FY 2012 is already over \$38 million and, at current usage, the Postal Service anticipates EDDM-R will reach \$50 million before the end of the fiscal year. EDDM-R simplifies mail entry by reducing complexity and cost and has enabled businesses to communicate by mail at a low cost within their target marketing areas. Request at 2.

¹ Request of United States Postal Service to add Every Door Direct Mail – Retail to the Mail Classification Schedule (Notice), July 10, 2012.

² Docket No. MT2011-3, Order Approving Market Test of Experimental Product—Marketing Mail Made Easy, March 1, 2011 (Order No. 687). As proposed in Docket No. MT2011-3, the experimental product was named “Marketing Mail Made Easy” (MMME). The Postal Service has renamed that product “Every Door Direct Mail – Retail.” See also, MR2011-3, Order Granting Request for Exemption From Annual Revenue Limitation, January 23, 2012.

EDDM-R mail must meet the same preparation requirements as the Simplified Address option for Standard Mail Saturation Mail, be flat-shaped, and weigh no more than 3.3 ounces. *Id.* at 1. EDDM-R mailings do not require a permit or mailing fee, must be entered and paid for at a local Destination Delivery Unit (DDU), and must not exceed 5,000 pieces per ZIP Code served by the DDU. *Id.* If the Request is approved by the Commission, EDDM-R will continue to be classified as a market dominant Standard Mail product. *Id.* at 2.³

The Postal Service claims EDDM-R meets the criteria of 39 U.S.C. 3642 for adding a new market dominant product to the MCS. *Id.* As required by 39 CFR 3020.31(d), the Postal Service indicates that EDDM-R is not a special classification within the meaning of 39 U.S.C. 3622(c)(10) for market dominant products; that EDDM-R will not be a product that is not of general applicability within the meaning of 39 U.S.C. 3632(b)(3) for competitive products; and that EDDM-R is not a non-postal product. Request at 2 n.1. The Postal Service also states that because EDDM-R is a market dominant product, its addition to the MCS does not require a Governors' Decision. *Id.*

Included as Attachment A to the Request is proposed MCS language. Attachment B to the Request is a Statement of Supporting Justification required by 39 CFR 3010.32.

II. COMMENTS

After review of the relevant documents, the Public Representative concludes:

1. Additional explanation is needed for the EDDM-R minimum volume requirement in the MCS;

³ The experimental product being tested in Docket No. MT2011-3, MMME is, like EDDM-R, a market dominant product. Order No. 687 at 1.

2. The Postal Service has failed to provide information that previous Commission orders have indicated must be provided to add EDDM-R to the MCS.

In other respects, the Postal Service Request is consistent with 39 U.S.C. 3642 and complies with the requirements of 39 CFR 3020.30 *et seq.* The Commission should approve the Request conditionally subject to the receipt of additional information as discussed below.

- A. 39 U.S.C. 3642 and 39 CFR 3020.30.

When considering a request to add new products to the MCS, section 3642(b)(3) of Title 39 requires the Commission to give due regard to three “additional considerations.” In turn, Section 3020.30 of the Commission’s Rules requires the Statement of Justification, included as Attachment B to the Request, to address those considerations. Attachment B to the Request, among other things, describes the availability and nature of enterprises in the private sector engaged in the delivery of the product. It notes there are many competing forms of advertising in the private sector but the delivery of advertising mail is available only from the Postal Service. These companies are eligible for the EDDM-R program. While there are several types of local advertising, they do not offer small businesses the security and trust of the mail. *Id.* at 8-9.

Attachment B further provides information on the views of those who use the product on the appropriateness of the modification. Although there is no specific customer research, the response to the market test and discussions with customers and printers are “universally” positive. *Id.* at 9-10.

Attachment B also describes the likely impact of the modification on small business concerns. It demonstrates the impact overall is favorable although it notes there may be a small impact on businesses that exclusively provide mailing lists. Other small businesses will benefit from additional business or will benefit directly from the

EDDM-R service, particularly those advertising for the first time, by more easily advertising their businesses. The EDDM-R service provides for convenient and integrated marketing plans designed for small and medium-sized businesses to enhance their ability to use mail. *Id.* at 10-12.

In these respects, the Postal Service meets the requirements of 39 U.S.C. 3642 and the Commission's regulations.

B. Minimum EDDM-R volumes need some explanation

The proposed MCS language states the Minimum Volume Requirements to be "At least all addresses on one carrier route or box section, *and 200 pieces*, except if the entire ZIP code (sic) has fewer than 200 pieces, in which case the minimum is all available addresses within the ZIP Code." Emphasis added, Attachment A at 2.

The Request does not explain the basis or reason for the minimum volume requirement to be 200 pieces *in addition* to all addresses on one carrier route or box section. If it is intended to mean what it literally says, that there must be 200 more pieces than the addresses in a carrier route, the purpose for the 200 pieces is not apparent to the Public Representative. Perhaps the language is intended to mean that the carrier route must contain a minimum of 200 hundred pieces or else additional carrier routes are required.⁴ Presumably residents' names and addresses are not allowed for mail in excess of the carrier route. It is likely that a mailer choosing EDDM-R would prefer the convenience of simply mailing to all addresses on a single carrier route without using a mailing list. If an additional 200 pieces beyond a carrier route are required, the mailer would be saddled with the requirement to add an additional 200

⁴ Questions about the interpretation of the minimum volume have also been raised in this proceeding by a request for information. Request of David B. Popkin for a Presiding Officer's Information Request, July 19, 2012. See Response of the United States Postal Service in Opposition to Request of David B. Popkin for a Presiding Officer's Information Request, July 24, 2012. See also, David B. Popkin Response to United States Postal Service Opposition to My Request for a Presiding Officer Information Request, July 26, 2012.

pieces outside the selected carrier route. That would require the mailer to provide addresses for at least the remaining 200 piece minimum or to add mail for a 2nd carrier route. Most likely the language means the minimum volume is a carrier route but not less than 200 pieces per mailing.

One Postal Service internet page indicates the proposed MCS language “and 200 pieces” may be an error. The internet page states, “The minimum number of pieces required is the number of active deliveries on a carrier route (not less than 200 pieces per mailing).”⁵

The Postal Service should provide an explanation of its minimum volume requirement for EDDM-R.

C Operational costs are not provided

In the Commission’s anticipation of a Postal Service request seeking the addition of EDDM-R to the market dominant product list, the Commission identified specific operational and cost information to be provided by the Postal Service. In Order No. 687, the Commission directed that the Postal Service:

*must, in support of its filing, present data showing the impact of [EDDM-R] on carrier operations, e.g., showing the frequency and number of routes requiring deferral of delivery of one or more bundles of Standard Mail when more than three bundles are available for delivery on that route.*⁶ (Emphasis added.)

In Order No. 1164, the Commission added that: “[i]nformation on advertising or other specific costs related to the proposed new product will also have to be presented

⁵ Although the page must refer to the requirements for the current market test product, it is instructive as to the Postal Service’s intentions for the permanent product. See, <https://ribbs.usps.gov/simplifiedmail/documents/EDDMRetailFactSheet.pdf>

⁶ PRC Order No. 687, Order Approving Market Test of Experimental Product—Marketing Mail Made Easy, March 1, 2011 at 13.

at that time.”⁷

The Postal Service provides some data on advertising costs specific to EDDM-R. Attachment B provides forecasted advertising expenditures for FY 2012 and FY 2013 of \$4.4 million and \$2.3 million, respectively. Request, Attachment B at 13. Attachment B also states advertising expenditures were incurred during FY 2011 and FY 2012. *Id.* However, the Postal Service does not provide the FY 2011 or FY 2012 expenditures.

The Postal Service reports contribution of “approximately \$20.2 million,” without reference to a fiscal year. *Id.* at 3. It does not appear that this reported contribution includes advertising expenditures incurred during FY 2011, or FY 2012 as of June 29, 2012.⁸ If advertising expenditures are not already included in the \$20.2 million, their addition would reduce the amount of reported contribution.

For EDDM-R costs generally, the Postal Service states that if approved, EDDM-R “will be quantified in the normal course of product costing [with] EDDM-R markings [being] added to Postal Service data systems in Quarter 1 of FY 13.”⁹ The Postal Service also adds that “data systems will begin collecting EDDM-R costs . . . in Q4 of FY12.” *Id.* at 3. Because of the Errata Notice, there is now some confusion as to when EDDM-R cost data will be collected by the Postal Service, *i.e.*, when EDDM-R markings “are added” to the data systems in Quarter 1 of FY 2013, or when data systems “begin collecting” EDDM-R costs in Quarter 4 of FY 2012.

With respect to the impact of EDDM-R on carrier operations, the Postal Service’s request is devoid of data of the type specified by the Commission. The Postal Service states that “[c]urrent USPS systems do not afford an effective method to identify and

⁷ PRC Order No. 1146, Order Granting Request for Exemption from Annual Revenue Limitation, January 23, 2012 at 6.

⁸ It should be noted that the Postal Service is able to report total revenues for EDDM-R this fiscal year “[a]s of June 29.” Request, Attachment B, at 6. It therefore seems reasonable to expect that the Postal Service report advertising expenditures for the same period in FY 2012.

⁹ United States Postal Service Notice of Errata to Request of the United States Postal Service to Add Every Door Direct Mail--Retail to the Mail Classification Schedule, July 18, 2012 (Errata Notice).

track EDDM-R mailings impact within the postal system.” Petition, Attachment B at 12. It then offers a qualitative assessment of the impact EDDM-R on carrier operations, *to wit*. “new workloads, specifically EDDM-R or traditional saturation and high-density . . . could impact daily carrier operations by increasing the number of bundles, on any given day of the week, for a specific carrier route.” *Id.* at 13. From another perspective, this assessment simply restates the Commission’s concern and the reason for its specific data request.

In conclusion, the Postal Service fails to support its request with any of the carrier operations data specified by the Commission, *i.e.*, “the frequency and number of routes requiring deferral of one or more bundles . . . when more than three bundles are available for delivery on that route.” The Postal Service also muddies its reporting of the contribution of EDDM-R during the market test by failing to explain whether advertising expenditures are included.

The Commission should give conditional approval to adding EDDM-R to the market dominant product list pending the provision of data on the impact of EDDM-R, and traditional saturation and high-density, mailings on carrier operations, as requested by the Commission.¹⁰ In the interim, the Postal Service should explain whether the contribution of \$20.2 million includes advertising expenditures for FY 2011, and FY 2012 as of June 29, 2012. Moreover, the Commission should require a more complete explanation of how, and clarify when, the Postal Service will develop costs for the EDDM-R product.

¹⁰ For future market tests, should the Commission identify data to accompany a Postal Service request to add a market test product to a product list, it would seem prudent for the Commission to seek an explanation from the Postal Service at the time the market test is approved as to whether it has the ability, or can develop the capability, to provide the desirable, identified data during the period of the market test.

III. CONCLUSION

Pursuant to the Commission's notice and order requesting comment and upon review of the documents filed by the Postal Service in this proceeding, the Public Representative respectfully submits the foregoing comments.

Respectfully submitted,

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